

SNOWDEN & ASSOCIATES, INC.

CLIENT NEWSLETTER

Employee Benefits
Insurance



MENTAL HEALTH PARITY & ADDICTION EQUITY ACT (MHPA) UPDATE- *action needed*

Effective on group health plan renewals after 10/03/09, your group's health plan must comply with the MHPA guidelines if you have 51 or more total employees. When looking at the 51+ number, you must include all union and non-union employees, not just those on your health plan. Also, include commonly owned businesses. The act simply requires that mental and addiction related benefits be equal to the other medical/surgical benefits under the plan. We want to assist you in making sure that your plan is compliant, so **please notify our office ASAP if your total employment is 51+**. Simply send an email to cathy@snowdenbenefits.com or call our office. If your plan fits the guidelines, no other action will be needed.

PRE-TAX TREATMENT OF EMPLOYEES' PREMIUM AND HSA CONTRIBUTIONS

Section 125 of the internal revenue code "cafeteria plans" permit employers to payroll deduct employees' premium contributions and health savings account deposits on a pre-tax basis under certain circumstances. The IRS has various rules associated with section 125 plans when it comes to making changes within the plan year. If your health plan is involved in a section 125 plan, employees may only change their election during the year if there is a qualified event. This means that they may not add dependents, remove dependents or drop coverage unless there is a qualified event. Once they are at open enrollment, they may make the desired changes. Unless you are using ASGI to administer your section 125 plan, we will have no way of knowing that you are subject to these rules. Please notify our office if you have a section 125 plan so that we may flag your file. This will allow us to alert you to change forms that are coming through that could impact the tax favored status of your program. Compliance requirements and tax liability remain with the employer.

HEALTH INSURANCE PREMIUMS

As a response to the current economic situation, we have been getting more calls regarding the individual market. These stem from employers who cannot continue benefits to employees who cannot afford the cost of their dependents under the rich benefits of a group plan. Please see the enclosure for more details on our offerings as a full service independent agency.

DEPENDENT ELIGIBILITY AUDITS

With the cost of health insurance as it is, you certainly do not want to be paying for persons who are not even eligible under your plan. You may want to consider auditing your employees regarding the status of the dependents they currently have enrolled. This can be as simple as a notice to employees with your plan's dependent definitions or can be a complex audit. Call our office for suggestions and assistance with this process. You will also want to review your bill each month to make sure that it does not include any employees who should have been terminated previously.

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HEALTH CARE REFORM

Health care reform bills are now being considered at the federal level and there is significant pressure for legislators to move very quickly to pass legislation. We can fax or email you a comparison of the key proposed plans. Please contact your legislators and let them know how you feel about this important issue. A key component is the inclusion of a public health plan which we strongly oppose. You can simply follow links and send a brief email voicing any concerns that you have. To learn who your legislators are and obtain access their "contact" links, simply go to www.senate.gov and www.house.gov. We can fax or email you a comparison of the key proposed plans. *It is important that you do this immediately since they are moving so fast and this week is a key week for health care.*

CHILDREN'S HEALTH INSURANCE PROGRAM REAUTHORIZATION ACT OF 2009

In the past, if a child was eligible for the state's KCHIP medical plan, they would set up a plan directly with KCHIP and would receive partially or fully subsidized premiums. Now they will have the option of keeping their children on the group plan or adding them to the group plan when first becoming eligible for KCHIP. This would be treated as a qualified event. If the employer agrees, the subsidy could be paid directly to the employer. Otherwise, the subsidy will be paid to the employee and they would use it to pay their share of the payroll deducted premiums. Employers will be required to provide a notice to employees in 2010 once the sample wording is approved (we will send the sample out when it is released). This only applies to creditable health plans with coverage equal to or better than the KCHIP plans. This does not apply to health savings account plans. Also, if a child is covered on Medicaid or KCHIP (outside of the group) and loses eligibility, that will be a qualified event for them to join the group's plan, rather than waiting for open enrollment. In the meantime, if an employee approaches you about adding a child due to this new law, just give us a call. We simply wanted you to be aware of this new type of qualifying event.

VOLUNTARY BENEFITS

Voluntary benefits are insurance plans which offer a group level of benefits at group rates, but the premiums are paid in full by the employees through payroll deduction. We offer medical bridge (for higher deductible health plans), life, disability, accident and cancer plans through Colonial Life. In most cases, the program may be established with as few as five participants. Plans are even available to spouses and children of employees. We could do an employee meeting to explain the products that the employer wants to offer, and they could then take some materials home to review with their spouses. We would then follow up with face to face enrollment meetings with each employee at your office or shop. They would have time to discuss their specific needs with the enrollment representative and see the impact on their paycheck for any election they are considering, so they do not "bite off more than they can chew". Call today to get details and see how this may benefit your group.

MICHELLE'S LAW

If a child has to take a medically necessary leave of absence from school, they may still be able to qualify as a student under the group plan due to this new federal law. Please call us for assistance if you have anyone in this situation.

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COBRA SEMINAR

Infinisource is a company which provides full service COBRA administration and offers COBRA seminars. They will be hosting a seminar in Louisville on May 5th from 8:30am to 3:00pm. The price is \$289 but may be discounted by entering my agent code which is AG-02822 when registering. Also, enter agent under the "how did you hear about it" prompt and enter agent invitee under "participant type". Past Infinisource seminars have been very informative and have proven to be a good value. They also help you to comply with the TAMRA provisions under the COBRA law which pertains to having COBRA training. To register, go to www.benefitssolved.com, select "COBRA seminars" and then select Louisville under the list of locations. The COBRA law pertains to groups with 20+ total employees (not just those on this group plan) for 50+% of the prior year.

CHANGES IN YOUR GROUP'S POPULATION – MEDICARE AND COBRA COMPLIANCE

Both COBRA and Medicare compliance guidelines are triggered when a group has 20 or more employees for 50% of the prior year (COBRA) or 20 weeks (Medicare). When your group size fluctuates and moves above or below that line, please call our office to discuss how this may impact your group and what action may be needed. Your health insurance renewal should include a Medicare Secondary Payer form which asks you to verify your group's size. Returning this at renewal is an important way to make sure that the insurance carrier is updated on the correct size. When reporting this number, it includes all employees, not just those on the group health plan. Include any union employees and those associated with a commonly owned company.

PUBLICLY SPONSORED PROGRAMS

The Foundation for Health Coverage Education has developed a website to educate people on what public health programs are available to them and assist them in determining if they are eligible and how to apply. If you have employees in your group who are unable to pay for their dependents' coverage, or have employees that you will be laying off, this could be a valuable tool. They may go to www.coverageforall.org to review information on KY Access (high risk pool), Medicaid, K-Chip (children's health care), Medicare, KY Women's Cancer Screening Program, VA benefits and the Commission for Children with Special Health Needs. If they click on "KY Health Care Options Matrix" it will provide a simply spreadsheet showing the highlights of the programs, the income table and contact phone numbers.

SECTION 125 CAFETERIA PLANS

In its simplest form, Section 125 enables employers to "pre-tax" the employees' contribution to the insurance premiums. It also can be used for a cafeteria plan offering a variety of benefits and as a conduit for employees' contributions to a health savings account. When handling contributions in a pre-tax manner, keep in mind that you must have a formal Section 125 plan document and discrimination testing. If you are not currently using a third party administrator for this purpose, please call us and we will provide the names of some administrators that you may want to contact.

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CONSIDERING NO LONGER OFFERING GROUP HEALTH COVERAGE?

Some employers may be considering ending their sponsorship of a group health plan, providing their employees with a one time raise and letting them obtain benefits on their own. I just wanted to review some key points to consider:

- The individual market requires medical underwriting on each participant. Underwriting can result in denial of coverage.
- Denial of coverage can trigger eligibility for benefits in the KY high risk pool for those who have been KY residents for 12+ months and can afford the premiums.
- COBRA/state continuation is not available once the group terminates.
- When hiring new employees, you will not have a benefit to offer them. Since they could face a denial of coverage at the end of their COBRA, it may be difficult to compete with other employers.
- When dismantling your group, some will do fine with underwriting, others may not.
- Individual market benefit designs do not match group designs. Some exclude maternity, brand name drugs, etc. These plans can generate premium savings; people just need to be aware of any limitations when making selections.
- Offering premium assistance for individual market coverage to some employees could result in the healthy participants exiting the group plan (since they are the ones who can obtain favorable rates) and leaving you with a group of poor risks or minimal participation which could be detrimental to the long term health of your plan. Typically, employees only receive premium contributions from the employer if participating in the employer's plan.
- The dollars spent could be subject to payroll taxes rather than flowing through a benefit plan.

If you are considering such a move, please contact our office to review all of the related complex issues. We are a full service agency offering group and individual plans. *We can conduct employee meetings and meet with each employee to assist them with plan selection and enrollment.*

UPDATING INSURANCE CARRIER INFORMATION

Please remind your employees to communicate with the insurance carrier when they have address changes or any other significant change. Insurance carriers use the last known home address to send notices regarding changes in prescription formularies, requests to verify dependent eligibility, etc. Failure to respond to notices such as the dependent eligibility questionnaire could result in loss of coverage for the dependent. Employees may call the number on the back of their ID card or our office to verify current addresses.

FLEXIBLE SPENDING ACCOUNTS (FSA) AND HEALTH SAVINGS ACCOUNTS (HSA)

As we near the end of the year, keep in mind that money in a FSA needs to be used or forfeited. Plan your year end health related expenses accordingly. Under a HSA any remaining balance in the fund belongs to the plan participant and may roll forward from year to year. This allows participants to accumulate savings that they may need to access in the future in the event of a significant claim.

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VOLUNTARY PRODUCTS

Voluntary plans are insurance plans that offer group benefits and rates without the employer having to share in the costs. The employees voluntarily elect coverage and the premiums are deducted from their paychecks. Many insurance carriers are now offering voluntary products to smaller groups (for example the greater of 10 employees or 25%). Studies show that employees prefer purchasing products through the employer vs having to research and meet with advisors on their own. Also, the employer can realize a reduction in payroll taxes when offering the products through a section 125 plan. More than half of the employers in the small to mid-sized group market are offering voluntary products*. Call today for more information on the following benefits:

Life ~ Disability ~ Dental ~ Vision

COBRA SEMINAR

Infinisource will be hosting a COBRA seminar in the region this summer. They will be in Lexington on July 30th and the seminar will be from 9:00am to 3:00pm. Hopefully, they will be in Louisville later in the year. For more information, please go to www.benefitssolved.com.

GROUP TERM LIFE – LATE APPLICATIONS

In the past, some insurance carriers would approve a late applicant for group term life coverage without medical questions, if the coverage was 100% employer paid. Now the carriers may require evidence of insurability before issuing coverage. Please be sure that new hires enroll in all products during their waiting period. Late applicants under a health plan will be excluded from the plan until the next year's open enrollment or until a qualified event.

SHORT TERM MEDICAL

Short term medical policies are used to cover a gap in coverage for up to six months. This is helpful with children leaving school and preparing for their careers, employees during the new hire waiting period and people between jobs. Underwriting is just a few simple questions and since the insurance carrier only has liability for a short period of time, the rates are very attractive. In many cases the premiums are well below the cost of COBRA or state continuation premiums. Benefits are available for as little as 30 days or as long as six months.

*Eastbridge Consulting Group

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NON-NETWORK PHYSICIANS PRACTICING IN NETWORK FACILITIES

We have seen an increase in claims in which a patient goes to a hospital that is participating in the network and is treated by a non-participating physician. If the physician is not in the network, the insurance carrier has no obligation to treat them as a network provider regardless of where treatment was rendered. In the recent cases, the hospitals have not been willing to absorb the non-network penalties, thus increasing claims costs for the patients. When calling for pre-registration or when entering the ER, it may be wise to ask if the provider they will be using is in your carrier's network. If not, you may want to ask for another provider or make arrangements elsewhere. In a life/limb threatening emergency, non-network penalties should be waived.

DRUG CHANGES

As of April 1st, Anthem will no longer be covering Nexium, Aciphex, Prilosec and Zegerid. They will cover Prevacid, Protonix or the generic proton pump inhibitor. Similar changes apply to the Antihistamine category of drugs: As of April 1st, the following drugs will not be covered by Anthem: Allegra/Allegra D, Clarinex/Clarinex D, Semprex D, Exyral, as well as some allergy related eye drops. Zyrtec will also drop as its over the counter version becomes available. These changes are common among insurance carriers as many of the drug's competitors produce generic or over the counter versions. Patients currently taking these drugs will receive notification from Anthem at their home address. Changes like this generate cost savings that benefit all covered subscribers while providing safe alternative drugs for those directly impacted.

WEB SERVICES

Humana and Anthem have medical information programs now (Humana = Smart Summary, Anthem = 360) to help you manage and monitor your medical services and prescriptions. It also is an easy way to capture a snapshot of your prescriptions or health records to take with you when meeting with a new physician. There is online guidance to assist in managing chronic conditions as well as telephonic nurse support for those who need coaching with serious medical cases. A printed version of the claims and prescription summary will be sent to the patient's home on a quarterly basis. The Humana Smart Summary is in place now and the Anthem 360 will begin on May 1st. Employees may access these services by going to the insurance company's website and setting up their password protected account.

DEPENDENT CHILD STATUS

Insurance policies state when a child is no longer eligible based on their age and status as a full time student. While claims may not be honored after the child is no longer eligible, some insurance carriers do not adjust the billing fields unless the employee initiates the change. Please encourage your employees who have children over age 19 and who are not students to call the number on the back of their card to see if any ineligible dependents are still showing active on their plan. In some cases, there could be premiums being paid for dependents that should not be on the plan. Refunds/adjustments will, in many cases, only be made retroactive to 60 days.

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